



Department  
for Work &  
Pensions

# Simpler annual pension benefit statements

Government response to the consultation on  
proposed Regulations and accompanying statutory  
guidance introducing simpler annual pension benefit  
statements for use by Defined Contribution pension  
schemes used for Automatic Enrolment

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# Ministerial Foreword

I am delighted to be able to publish the Government's response to our consultation on simpler annual benefit statements.

I believe that short, simple, statements will usher in a new standard for how schemes communicate with their members – greatly improving people's understanding and engagement with their pensions. That is why this Government is driving forward consumer focussed simpler annual pension benefit statements.

I am passionate about enabling people to understand their pension savings more easily. I want to cut through all the jargon and complexity that too often get in the way of such understanding. With more people saving more for their retirement thanks to the tremendous success of automatic enrolment, it's vital that we ensure that they can understand how their pensions work to help them plan.

Annual statements are long-established but should not simply provide information which is indigestible to the saver and which results in them being unread, or without the saver being able to understand their content. They should guide a saver through a straightforward narrative that enables them to see how much money they have in their pension plan and what they have saved in that year; how much money they could have when they retire; and prompt them to think about what they could do to give themselves more money when they retire. They are a tool that can start an engagement journey through the variety of other tools or sources of information that exist, or which can provide simple, straightforward, reassurance that things are on track.

I am grateful to those organisations and individuals who responded to the consultation on our draft Regulations. I'm pleased that the majority expressed support for the concept and offered some practical ideas on how the draft Regulations and draft statutory guidance can most effectively land the approach.

I see the Regulations for automatic enrolment schemes as only a first step, as we continue our mission to make pensions easier to understand.

Guy Opperman MP

Minister for Pensions and Financial Inclusion

# Introduction

1. In November 2019, the Government consulted on how annual workplace pension benefit statements could be reformed and made simpler, shorter and more consistent so that they support better engagement with their workplace pensions by members<sup>1</sup>. The options presented in that consultation included use of a two-page (one double-sided sheet of A4 paper) template developed by an industry group during the course of the 2017 Review of Automatic Enrolment<sup>2</sup>. That template was further developed during 2018 and has been available for voluntary use by schemes.
2. The responses to the 2019 consultation highlighted support for the Government's ambition for statement reform. In October 2020, the Government published its response<sup>3</sup>, setting out the intention to mandate an approach to two-page simpler statements for defined contribution pension schemes used for automatic enrolment which would enable a member to see:
  - How much money the member has in their pension plan and what has been saved in the statement year;
  - How much money they could have when they retire; and
  - What they could do to give themselves more money at retirement.
3. That intention was taken forward in the May 2021 consultation<sup>4</sup> which sought views on the draft Regulations which would amend the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013 ("the Disclosure Regulations") to introduce new requirements concerning the format of annual pension benefit statements given in accordance with regulation 17 of the Disclosure Regulations. The draft Regulations were accompanied by draft statutory guidance, including an illustrative template.
4. The May 2021 consultation posed 4 questions and invited views from members of workplace pension schemes, employee representatives, trade unions, consumer groups, employers, and pension industry professionals, including scheme administrators, payroll administrators, accountants, payroll bureau, independent financial advisors, employee benefit consultants and members of the advisory community. **Annex A** lists the 40 respondents to the consultation.
5. The Government welcomes the expressions of support for simpler annual benefit statements from the majority of respondents and the comments, suggestions and technical queries raised which we have taken into consideration when finalising the Occupational and Personal Pension Schemes (Disclosure of Information)

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<sup>1</sup> <https://www.gov.uk/government/consultations/simpler-annual-benefit-statements-for-workplace-pensions>

<sup>2</sup> <https://www.gov.uk/government/publications/automatic-enrolment-review-2017-maintaining-the-momentum>

<sup>3</sup> <https://www.gov.uk/government/consultations/simpler-annual-benefit-statements-for-workplace-pensions>

<sup>4</sup> <https://www.gov.uk/government/consultations/simpler-annual-benefit-statements-draft-regulations-and-statutory-guidance>

(Statement of Benefits: Money Purchase Benefits) (Amendment) Regulations 2021 - and the associated statutory guidance, including the illustrative template.

6. The Occupational and Personal Pension Schemes (Disclosure of Information) (Statement of Benefits: Money Purchase Benefits) (Amendment) Regulations 2021 (“the Amendment Regulations”) will be published on Legislation.gov.uk.
7. The statutory guidance (including the illustrative template) that accompanies the Amendment Regulations will be published on Gov.uk to coincide with the laying of the Amendment Regulations<sup>5</sup>.
8. The impact assessment for the Amendment Regulations will be published on Legislation.gov.uk to coincide with the laying of the Amendment Regulations.
9. As pensions policy is reserved in Wales and Scotland, the simpler annual pension benefit statements consultation for use by Defined Contribution pension schemes used for automatic enrolment, and this response, applies to England, Wales and Scotland.
10. The government is grateful to the Pensions Regulator and the Financial Conduct Authority (FCA) for their support and advice on the development of these Regulations and guidance.

## Consultation questions and our responses

11. In the consultation we asked four questions on: the framing of the draft Regulations; the draft statutory guidance; the draft illustrative two-page statement template; and the timetable for introducing the change. The following summarises the replies we received and sets out our response, including where the Regulations, statutory guidance and illustrative statement template have been amended.

### **Question 1: Draft Regulations**

Do you have any comments on whether the draft Regulations achieve our policy intention in relation to requiring use of a statement of one double-sided sheet of A4 paper for use by certain defined contribution pension schemes used for automatic enrolment (as defined in the draft Regulations)?

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<sup>5</sup> <https://www.gov.uk/government/publications/how-to-provide-simpler-annual-benefit-statements>

12. The majority of responses considered that the draft Regulations met the expressed policy intent but a number queried the precision of their scope in terms of that intent. The Government's purpose at this time remains to focus on automatic enrolment pension schemes, under which all the benefits which may be payable are money purchase benefits, and on the statements which those schemes provide for members who are not in receipt of pension benefits (pension schemes under which all the benefits which may be payable are money purchase benefits are generally referred to as defined contribution (DC) pension schemes). This will help the millions of individuals brought into pension saving through the success of automatic enrolment who may be saving into a pension for the first time. The Amendment Regulations have therefore been amended to refer to automatic enrolment schemes and the statutory guidance has been amended to reflect this change.
13. A number of responses suggested that the draft Regulations should be broadened to include all DC pension schemes, including those where funds have been crystallised and hybrid schemes (which have both a defined benefit and a DC element within the same scheme), and one suggested extension to apply to defined benefit schemes. In the longer term, it remains our ambition to improve consistency across all categories of schemes through short, simple, statements. We will consider the lessons learnt from the requirements in regulation 17(11) to (15) of the Disclosure Regulations as inserted by the Amendment Regulations, which will be subject to review and the publication of a review report before 1 October 2027, and their applicability to other kinds of schemes. The Government strongly encourages trustees and managers of schemes not already in scope of the Amendment Regulations to use the discretion that they already have when designing their statements to apply the same principles of brevity and simplicity set out in the statutory guidance, which includes the illustrative statement template.
14. A few respondents asked whether the draft Regulations would apply to collective money purchase schemes (also known as collective defined contribution schemes (CDCs)) when they are introduced to the market. As these are a new type of pension scheme, draft Regulations specific to CDCs have recently been the subject of a separate consultation. CDC annual statements will need to provide information specific to CDC pensions and CDC schemes will be required to have in place systems for assessing and improving the effectiveness of member communications.
15. A number of respondents asked that the statutory guidance be explicitly flagged in the Regulations to ensure that trustees and managers are aware of it and take sufficient note. The Government recognises the potential value of a specific prompt to reduce any risks arising from a lack of awareness of the statutory

**Question 2: Draft Statutory Guidance**

Do you have any comments on the draft statutory guidance in terms of content or clarity?

guidance and the Amendment Regulations have therefore been amended to reflect this point.

16. The draft statutory guidance was welcomed and we are grateful to respondents who commented with suggestions on areas where they believed it would benefit from greater clarity and where they queried specific points of detail. There was some overlap in comments on the drafts of the Regulations, statutory guidance and illustrative template, which is reflected in the following paragraphs.
17. Several responses asked for more clarity about the relationship between information that is required by the Disclosure Regulations; the additional information set out in the draft statutory guidance and included on the face of the draft illustrative statement template; the information to which the illustrative template may signpost; and the layering of additional documentation that may be sent to a member with their statement. The statutory guidance has been revised to make this relationship clearer.
18. Trustees and managers of automatic enrolment schemes will be able to provide material to members to supplement the information that is a regulatory requirement and must be provided in – or through signposting from – the annual benefit statement through a layering of documentation. This was welcomed by a number of responses as providing discretion to provide information to members that they believe will be helpful. However, the final statutory guidance continues to make clear that such information must be provided in a separate document(s) to the one double-sided sheet of size A4 paper statement itself, either in physical form or through signposting to digital content. The statement must be the first substantive document presented in any pack of material sent to the member if a covering letter is not included. If a covering letter is included, then the statement should immediately follow. Trustees and managers of pension schemes in scope should take a proportionate approach to the provision of any additional documentation and ensure that it is short, simple and accessible.
19. Many respondents commented on the explanation of the approach to be taken for presentation of information on costs and charges in the statement template, and the signposting to information elsewhere. The majority were in favour of information being provided in the statement itself rather than reliance on signposting to information available in the Chair's Statement for trust-based schemes and the Independence Governance Committee/Governance Advisory Arrangements (IGC/GAA) annual reports for contract-based schemes (where applicable), but there was no consensus about the level of detail nor the approach that could be adopted.
20. We continue to encourage trustees and managers who do not already do so, to provide information on costs and charges on the face of the statement. The Government will also continue to consider how the presentation of costs and charges can be improved further, through the information that is presented to, or accessible to, members. We believe that comprehensive, transparent and

consistent charges information will enable members to become more engaged with their pensions, and allow them to take decisions on which pension is right for them.

21. The Government continues to consider the evidence gathered through our Permitted Charges in DC Pensions consultation, which looked at how standardisation within costs and charges, including through moving to a universal permitted charging structure may improve transparency and comprehension of charges. This work does not affect current requirements in the Disclosure Regulations.
22. Several respondents suggested that more detail should be provided about how and where members' pension savings are invested. We believe that the impact of including this information on the face of the statement would run counter to the intent to deliver two-page statements (one double-sided sheet of size A4 paper). We agree that this information may be useful to some members which is why such information forms part of the Chair's Statement and the Statement of Investment Principles for trust based schemes and where applicable the IGC/GAA annual reports for contract based schemes. Whilst it is not a regulatory requirement for this information to be in the annual benefit statement, signposts to where the information can be found can be provided. Trustees and managers can consider providing this other information in the context of the layered approach which is explained in the statutory guidance.
23. Several respondents also suggested that more detail could be provided in the statement on Environmental, Social and Governance (ESG) and climate change investments, which might also impact on the limit to giving two-page statements (one double-sided sheet of size A4 paper). Again this is an area where trustees and managers have discretion to consider provision of additional information in this area that may be useful to members. However, trustees and managers who are subject to the requirements in the Occupational Pension Schemes (Climate Change Governance and Reporting) Regulations 2021<sup>6</sup> must add a website link to the most recently published climate governance report "TCFD report" in their annual benefit statements. This website link may be a holding page which as well as including the TCFD report also includes additional ESG information.

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<sup>6</sup> [The Occupational Pension Schemes \(Climate Change Governance and Reporting\) Regulations 2021 \(legislation.gov.uk\)](https://www.legislation.gov.uk)

**Question 3: Illustrative template**

Do you have any comments on the illustrative statement template in terms of content or clarity?

**General**

24. A number of responses suggested a range of supplementary information to be included in the illustrative statement template which would, however, result in it being lengthened beyond the maximum of one double-sided sheet of size A4 paper when issuing a paper statement and the equivalent length when the information is printed, if issuing an email or online statement. Several responses specifically suggested statements should be longer. This would undermine the clear purpose behind the Amendment Regulations and the Government's intention to achieve statements that do not exceed a maximum of one double-sided sheet of size A4 paper (except where that requirement may be waived if it is necessary for trustees and managers to meet their duties under the Equality Act 2010).
25. The approach we have taken allows for the presentation of key information at a glance for members, but does not preclude the provision of supplementary information through a layering of documentation sent with statements (as described in paragraph 18 above) or through signposting to supplementary information through web links in the statement or active web links on an online statement.
26. Several responses raised design issues, including the use of colour, branding and font size. The discretion allowed to trustees and managers is set out in paragraph 38 of the statutory guidance. The monochrome presentation of the illustrative template in the statutory guidance and the 12-point font used are not intended to be prescriptive, but trustees and managers must have regard to the need for statements to be accessible. In their design work trustees and managers should not obscure the flow of information as detailed in the statutory guidance nor increase the length beyond one double-sided sheet of size A4 paper.
27. A number of responses suggested that the template could provide standardised language. It is not the Government's intent to prescribe exact text, which will reduce the scope for personalisation of some details and which may not be future-proofed. The guidance (including the template) provide a clear structure and guidelines so that a consistent narrative of information will be provided between statements on:
- How much money the member has in their pension plan and what has been saved in the statement year;
  - How much money they could have when they retire; and

- What the member could do to give themselves more money at retirement.

### **Section 1: Member and Pension Plan Details**

28. Several responses queried the detail required here. This section should be used by schemes to provide the information currently used to identify a member and their Pension Plan.

### **Section 2: How much money you already have in your Pension Plan**

29. Suggestions were made about the presentation of information on costs and charges (paragraphs 19 to 21 above refer); to investments (paragraph 22 refers) and to ESG and climate change (paragraph 23 refers).

### **Section 3: How much money you could have when you retire**

30. A number of responses sought clarity on the information to be provided in this section. This section should provide the member with an illustration of how much their pension plan could be worth at the member's anticipated or agreed date for retirement and what this may mean for their estimated retirement income.

Trustees and managers must continue to satisfy themselves that they have met the requirements of the Disclosure Regulations, when presenting the pensions illustration and the assumptions used in its calculation in the body of the statement. Where trustees and managers may signpost or provide additional documentation those requirements are not changed by the introduction of the simple statement format under the Amendment Regulations.

31. The statutory guidance makes clear the importance of using simple, and accessible, language in presenting information. The information provided in this section – for example, about the impact of inflation and the rate of contributions that are paid into the pension plan – should therefore be easily understood by the member, with further signposting to easily accessible additional information for members, should they require it. The Government believes that simple, accessible, language should be at the heart of the approach taken to statement design.

32. Several responses queried the position on ownership of the assumptions that underpin the statement following our October 2020 response to the November 2019 consultation. DWP is continuing to work with the Financial Reporting Council (FRC), FCA and the Joint Forum on Actuarial Regulation (JFAR), on ownership, updating and harmonisation of assumptions going forward in the context of the development of pensions dashboards and simpler annual pension benefit statements.

### **Section 4: What you can do to give yourself more money**

33. The purpose of this section is to enable prompts to be given that will help a member to think about their retirement needs. A number of suggestions were made about the information that could be included, including pension scam warnings. The statutory guidance, including the illustrative statement template shows elements that trustees and managers should consider but this is not intended to be prescriptive which may frustrate the ability to 'future proof' what is

included, as tools and sources of information develop over time. It allows for personalisation of prompts and links to a provider's own planning tools or those of others, such as MoneyHelper or the PLSA Retirement Income Standards.

34. Some respondents sought clarification on the pension projection which would inform members how their savings may improve should they decided to contribute more. The statutory guidance now provides further clarity that the same method used for calculating the member's estimated retirement income in section 3 can be used again for this second projection if provided.

#### **Section 5: Find out more about your Pension Plan and how you can use your money**

35. Several responses queried the detail required here. It is important that members are easily able to contact trustees and managers of schemes in scope with any questions or updates they have, so that engagement prompted by their pension benefit statement is frictionless. However, it is not the Government's intention to require additional communication channels and this section should be used by trustees and managers of schemes in scope to provide the contact information they currently provide.

#### **Question 4: Timetable for change**

Do you have any comments on the timetable in which it is proposed the Regulations will come into effect, including the transitional provisions in regulation 3?

36. Whilst expressing support for simpler annual pension benefit statements, many responses raised issues around the preparedness of schemes to make the changes required for a coming into force date of 6 April 2022 for the Regulations, notwithstanding the inclusion of a transitional provision. There was, however, no consensus about an alternative coming into force date with a number of options presented, including October 2022 and April 2023 with some suggesting the coming into force date be governed by the scheme year end rather than the issue date. The Government notes that the May 2021 consultation on the draft Regulations provided a very detailed proposition on simpler benefit statements for trustees and managers to consider. This followed on from publication of the government's response published in October 2020 to the consultation held in November 2019 which set out clearly the direction of travel and an intent to mandate a short two-page template. The November 2019 consultation included the simpler annual benefit statement template which had been available for voluntary use since 2018.
37. Some providers have already adopted the simpler annual benefit statement template available on a voluntary basis since 2018. The Government is mindful, however, of the concerns expressed about the need to ensure the trustees and managers of all schemes in scope have sufficient time to adopt the requirements

of the new regulatory approach in order to ensure the accuracy and quality of statements. Therefore, the coming into force date of the Regulations has been amended to 1 October 2022, and the transitional provision has been removed. This will support our ambition that simpler annual benefit statements land well with savers as a key communication and engagement vehicle.

## Other issues

38. In addition to responses to the questions raised, a number of other comments were made. The relationship between paper and online statements was queried, as was the focus in the Government's approach on statements in paper form. The Regulations do not prevent trustees and managers from providing statements by email or online – statements provided in that email or online format must not, however, be longer than one double-sided sheet of size A4 paper when the information is printed, unless the exclusion that allows trustees and managers to provide the statement in another format applies (regulation 17(12) and (14) of the Disclosure Regulations, as inserted by the Amendment Regulations). Trustees and managers are reminded that regulation 26 of the Disclosure Regulations requires that where information (which will include the simpler annual benefit statement) is given to a member via electronic communication the member must be able to print and store the information.
39. Whilst there is increasing innovation in pension communications, including pensions dashboards and video statements, which will be attractive to many members, we believe that paper-based simpler annual benefit statements are, and will remain, a well-established form of communication option for many, including those who are digitally excluded. It is therefore right that through regulation we ensure the opportunity paper-based statements offer to engage members with their savings is not lost due to complexity and lack of consistency.
40. Several responses commented on the relationship between simpler annual benefit statements and pension dashboards. As their development work continues, the Pensions Dashboards Programme will decide on the detail of content to be displayed on dashboards, which will be informed by user testing. We anticipate that information will be broadly in line with information that is already available to savers through annual benefit statements, recognising that simpler annual benefit statements and dashboards are not intended to duplicate each other but will be tools to enable people to better engage with their pension savings.
41. The provision for periodic review of the effectiveness of the simpler annual benefit statement requirements provided for in the draft Regulations was welcomed. The review provision under regulation 3 of the Amendment Regulations will require the Secretary of State to carry out a review and publish the first review report before 1 October 2027 and within every five years after that. We will consider the lessons learnt from the review to inform our decision making as regards, amongst other things, an extension of the approach to

simpler annual benefit statements to schemes not currently in the scope of those requirements.

## Equality Act

42. Our ambition is to enable members to more easily understand and engage with their workplace pension savings through shorter, and simpler, statements. We asked about the impact of the options presented for simplified annual benefit statements on protected groups. The need for statements to be accessible for all recipients was recognised in consultation responses, and we have had regard to the duties under the Equality Act 2010 in the development of our regulatory proposals. We will keep the waiver (the exemption) included in regulation 2(2) of the draft Regulations (new regulation 17(13) of the Disclosure Regulations as inserted by the Amendment Regulations) to accommodate members who request alternative formats of the simpler annual benefit statement that allows trustees and managers to give the statement in a different format where they consider it is reasonable to do so to meet their duties under the Equality Act 2010.

## Annex A: List of organisations responding to the consultation

|                                   |
|-----------------------------------|
| ABI                               |
| ACA                               |
| Aegon                             |
| A J Bell                          |
| Aon                               |
| Aviva                             |
| Creative Group                    |
| Equiniti                          |
| Eversheds - Sutherland            |
| Evolve                            |
| Financial Services Consumer Panel |
| HS Admin                          |
| Hymans Robertson                  |
| Low Incomes Tax Reform Group      |
| L&G                               |
| Make My Money Matter              |
| MaPS                              |
| Mercer                            |
| MHM Pension Services Ltd          |
| Nest                              |
| NOW                               |
| Phoenix Group                     |
| Pinsent Mason                     |
| PLSA                              |
| Retirement Line                   |
| Royal London                      |
| Sackers                           |
| Scottish Widows                   |

|                                    |
|------------------------------------|
| Smart Pensions                     |
| Society for Pension Professionals  |
| St James's Place Wealth Management |
| The Money Charity                  |
| B and CE                           |
| TISA                               |
| UNISON                             |
| Which                              |
| Willis Towers Watson               |
| XPS                                |

Plus 2 responses from individuals.